

## Message Text

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STADIS////////////////////////////////////  
USEEC FOR DEPUTY ASSISTANT SECRETARY BOSWORTH

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: CONSULTATIONS WITH EC ON DEBT

PLEASE PASS BOSWORTH OPENING OF BUSINESS JANUARY 18

1. THERE FOLLOWS THE TEXT OF THE BRIEFING PAPER ON DEBT WHICH WAS PREPARED FOR UNDER SECRETARY COOPER'S USE AT LAST WEEK'S MEETING OF THE XCSS. BOSWORTH SHOULD POINT OUT THAT THE ISSUE OF WHETHER THE U.S. IS PREPARED TO "ACTIVATE" THE US/EC CIEC DEBT PROPOSAL FOR CONSIDERATION AT THE TDB MINISTERIAL IS STILL THE MATTER OF CONSIDERABLE INTERAGENCY DISCUSSION IN WASHINGTON AND NO REPEAT NO DECISION ON THIS ISSUE HAS YET BEEN MADE.

QUOTE: OECD EXECUTIVE COMMITTEE IN SPECIAL SESSION (XCSS)  
JANUARY 12-14, 1978 - DEBT - U.S. OBJECTIVES - THE USG  
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PAGE 02 STATE 013102

WOULD LIKE TO USE NEXT MARCH'S TDB MINISTERIAL TO FINALLY DISPOSE OF THE "DEBT ISSUE", I.E., TO BURY LDC DEMANDS FOR GENERALIZED RELIEF AND REINFORCE THE CORRECTNESS OF THE CASE-BY-CASE APPROACH.

ESSENTIAL FACTORS

A SENIOR OFFICIALS MEETING IS SCHEDULED FOR JANUARY 23-27

TO PREPARE FOR THE TDB MINISTERIAL WHERE "DEBT" IS THE MAJOR AGENDA ITEM. THE GAP SEPARATING THE POSITIONS OF GROUP B AND THE GROUP OF 77 COUNTRIES REMAINS LARGE.

A DECEMBER DEBT EXPERTS MEETING CALLED BY THE UNCTAD SECRETARIAT TO PREPARE FOR THE MINISTERIAL (THE INTENT OF THE SECRETARIAT WAS TO INITIATE NEGOTIATIONS) FOCUSED ON A TECHNICAL ANALYSIS OF THE DEBT SITUATION, AND ONLY SERVED TO HIGHLIGHT THE MAJOR CONCEPTUAL DIFFERENCES EXISTING BETWEEN THE TWO GROUPS.

THE LDCS ARE PUSHING HARD FOR ACCEPTANCE OF THEIR DEMANDS FOR GENERALIZED DEBT RELIEF NOW AND AUTOMATIC DEBT RESCHEDULING IN THE FUTURE. THE FOCUS IS ON RELIEF OF THE OFFICIAL DEBT OF THE LOW-INCOME LDCS FOR WHOM THE ISSUE HAS DEVELOPED AN EMOTIONAL AND POLITICAL SIGNIFICANCE FAR BEYOND ITS ECONOMIC IMPORTANCE.

MOST OTHER DEVELOPED COUNTRIES AGREE WITH THE USG ANALYSIS OF THE CURRENT DEBT SITUATION. THEY ARE, HOWEVER, SENSITIVE TO POLITICAL CONSIDERATIONS PARTICULARLY IN LIGHT OF THE SUSPENSION OF THE COMMON FUND NEGOTIATIONS. THE EC COUNTRIES, SUPPORTED BY JAPAN, WISH TO "ACTIVATE" THE US/EC PROPOSAL ON DEBT MADE AT THE CIEC. AT USG INSISTENCE, THE LIMITED OFFICIAL USE

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PAGE 03 STATE 013102

PROPOSAL HAS UP TO NOW ONLY BEEN UTILIZED "FOR REFERENCE". IT IS NOT YET CLEAR WHETHER THE EC AND JAPAN WOULD "GO IT ALONE" ON THE PROPOSAL WITHOUT THE U.S. (THE EC COMMISSION IS RECOMMENDING SUCH A COURSE.)

POINTS TO BE MADE

THE XCSS MEETING WILL LIKELY FOCUS ON THREE RELATED POINTS:

- (1) THE OUTLOOK FOR THE TDB MINISTERIAL,
- (2) THE STATUS OF THE US/EC CIEC PROPOSAL, AND
- (3) THE TASK OF THE JANUARY 23-27 SENIOR OFFICIALS MEETING.

THE OUTLOOK FOR THE TDB MINISTERIAL

IN OUR VIEW, IT IS IMPORTANT NOT TO GIVE THE GROUP OF 77 ANY UNREALISTIC EXPECTATIONS REGARDING THE MINISTERIAL. IT IS ALSO VITAL TO ASSURE OUR GROUP B PARTNERS THAT WHILE WE ARE WILLING TO PARTICIPATE CONSTRUCTIVELY, WE ARE NOT PREPARED TO AGREE TO MEASURES WHICH MAKE LITTLE ECONOMIC SENSE SOLELY ON "POLITICAL GROUNDS".

TALKING POINT

-- WE ARE CONCERNED AT DEVELOPMENTS REGARDING NEXT MARCH'S MINISTERIAL. BASED ON THE DISCUSSIONS AT THE 2ND DEBT EXPERTS MEETING, IT IS CLEAR THAT THE DIFFERENCES BETWEEN THE TWO GROUPS ARE BOTH BROAD AND SUBSTANTIVE.

-- WITH NO OTHER AGENDA ITEM WHICH COULD TURN THE MINISTERIAL INTO A SUCCESS, WE DO RISK HAVING THE GROUP OF 77 PUSHING THE MEETING INTO CONFRONTATION. WE DO NOT WANT SUCH AN OUTCOME. WE BELIEVE, HOWEVER, THAT WE WILL SIMPLY HAVE TO FACE UP TO THIS RISK, WHILE AT THE SAME TIME URGING THE GROUP OF 77 TO USE THE MINISTERIAL FOR A LIMITED OFFICIAL USE

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PAGE 04 STATE 013102

CONSTRUCTIVE REVIEW OF THE CURRENT SITUATION.

-- WE SHOULD APPRECIATE THE FACT THAT MOST OF THE PRESSURE REGARDING THE MEETING IS COMING FROM THE FEW KEY LDCS (INDIA, PAKISTAN AND BANGLADESH) WHO STAND TO BENEFIT MOST FROM THE GROUP OF 77 PROPOSALS AND FROM THE UNCTAD SECRETARIAT. THERE IS LITTLE INDICATION THAT AFRICAN COUNTRY INTEREST EXTENDS BEYOND THEIR GENEVA BASED DELEGATIONS. IT MAY BE USEFUL TO USE BILATERAL CONSULTATIONS WITH THE AFRICAN COUNTRIES TO POINT OUT HOW LITTLE BENEFIT THEY WOULD RECEIVE FROM THE GROUP OF 77 PROPOSALS.

THE STATUS OF THE US/EC PROPOSAL

TALKING POINTS

-- THE USG APPRECIATES THE DESIRE OF THE EC COUNTRIES TO "ACTIVATE" THE US/EC CIEC PROPOSAL FOR POSSIBLE ADOPTION AT THE MARCH MINISTERIAL. THIS ISSUE IS CURRENTLY UNDER REVIEW IN WASHINGTON.

-- THE SECTION OF THE US/EC PROPOSAL DEALING WITH LONGER-TERM SITUATIONS RAISES CONSIDERABLE DIFFICULTY FOR THE U.S., SPECIFICALLY WITH REGARD TO DONOR COMMITMENT TO EXTEND QUICKLY DISBURSABLE AID. FOR THE USG, OUR SOURCES OF FAST DISBURSING AID SUITABLE FOR IMPLEMENTING THE US/EC PROPOSAL ARE VERY LIMITED. THUS ANY DECISION BY THE USG TO "ACTIVATE" THE PROPOSAL WOULD HAVE TO BE CONDITIONAL ON A CONSENSUS AMONG GROUP B COUNTRIES THAT THE SUBSTANCE AND CONCEPTS OF THE NON-CRISIS SECTION OF THE PROPOSAL REMAIN INTACT.

-- THE USG DOES NOT BELIEVE IT WOULD BE PRODUCTIVE TO LIMITED OFFICIAL USE

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PAGE 05 STATE 013102

ATTEMPT TO MELD THE US/EC CIEC PROPOSAL WITH THE PROPOSALS TABLED BY THE GROUP OF 77. (THE UNCTAD SECRETARIAT HAS BEEN PRESSING FOR THE DISCERNING OF "COMMON ELEMENTS" IN THE VARIOUS PROPOSALS.) AS THE GROUP B EXPERTS STATED IN DECEMBER:

"THEY BELIEVED THAT DETAILED COMPARISON OF THE US/EC PROPOSAL AT CIEC WITH THE PROPOSALS ENDORSED BY THE EXPERTS FROM THE GROUP OF 77 WOULD, TO SAY THE LEAST, BE PREMATURE SINCE THE DIFFERENCES BETWEEN THE TWO GROUPS WERE CONCEPTUAL IN NATURE AND FUNDAMENTAL IN APPLICATION."

THE TASK OF THE JANUARY 23-27 SENIOR OFFICIALS MEETING

THE MANDATE OF THE SENIOR OFFICIALS IS RATHER VAGUE, I.E., IT IS TO PREPARE FOR THE MINISTERIAL.

AT THE DECEMBER DEBT EXPERTS MEETING, THE FRG PROPOSED (WITHIN GROUP B) THAT WE CONFINE THE MEETING TO PROCEDURAL ISSUES. THE U.S. AGREED AND SUGGESTED THE MEETING FOCUS ON DEVELOPING AN ANNOTATED AGENDA WHICH WOULD CLEARLY SET OUT ISSUES ON WHICH MINISTERS WOULD HAVE TO FOCUS. OTHER GROUP B COUNTRIES SUPPORTED THE IDEA OF A "GOOD ANNOTATED AGENDA", AND THE IDEA APPEARED TO HAVE GROUP B CONSENSUS SUPPORT.

IN THE DOCUMENT PREPARED FOR THE XCSS MEETING, THE OECD STATES THAT THE SENIOR OFFICIALS ARE "SUPPOSED TO PREPARE THE DRAFT RESOLUTIONS FOR THE UNCTAD MINISTERIAL MEETING." THIS IDEA IS NOT ACCEPTABLE TO THE U.S., AND WE SHOULD CONTINUE ADVOCATING OUR IDEA OF DEVELOPING AN ANNOTATED AGENDA. END QUOTE. CHRISTOPHER

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